

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Brulte and Peace Analyst: Roger Lackey Bill Number: SB 17X

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 03-12-2001

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Solar Energy Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

☒ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as amended February 15, 2001.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED February 15, 2001, STILL APPLIES.

OTHER - See comments below.

SUMMARY

This bill would allow a credit for the purchase and installation of a solar energy system and for the costs of a revenue-quality meter.

SUMMARY OF AMENDMENT

The March 12th amendments specified the following:

- The solar energy system must be certified by the State Energy Resources Conservation and Development Commission and have a five-year warranty against breakdown or degradation.
- The first \$300 of the cost of a revenue-quality meter would be allowed as a credit (at a 100 percent rate) in addition to the specified solar energy credit.
- That any local government or local publicly owned utility, in addition to state- or federal-sponsored financial incentives, must be subtracted from the cost of the solar energy system prior to determining the allowable credit amount.

The March 12th, 2001, amendments resolved the department's implementation concern regarding who would certify the solar energy systems. The remaining implementation concerns and additional implementation and technical concerns resulting from the amendments are included below.

The changes made by these March 12th amendments would be contained within the "rounded" fiscal

Board Position:

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<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Brian Putler

03/21/01

projections of the February 15, 2001, version of the bill. As a result, the previous revenue estimate still applies.

Except for the discussion in this analysis, the department's analysis of the bill as amended February 15, 2001, still applies.

POSITION

Pending.

IMPLEMENTATION CONCERNS

The credit would include the cost of a "revenue-quality meter." A definition for the term is needed.

The bill does not require the solar energy system to be actually used after installation, nor does the bill provide a minimum amount of kilowatt hours that must be generated per month.

The terms "photovoltaic" and "wind-driven" are not defined.

The bill does not require the solar energy system to be installed on property owned or leased by the taxpayer.

A large number of taxpayers lease certain items of property rather than purchase them. As drafted, the bill would not apply to a taxpayer that leases, under a true or operating lease, a "solar energy system" for use in this state. However, the bill does not prevent the taxpayer that purchases a solar energy system and leases it to another taxpayer in this state from claiming the credit, even if the lessee is essentially paying for the solar energy system.

Property developers may, as an incentive for buyers, install "solar energy systems" on property they develop. It is unclear whether developers would be allowed to claim the credit for these systems or if the developers could elect to pass the credit to buyers of the property.

Generally, credits require taxpayers to recapture the credit amount by adding the amount of the credit back to their tax liability if the item that qualified for the credit is subsequently sold or removed from the state within a specific amount of time after the purchase date. This bill requires no such recapture of the credit.

This bill would require the credit to be reduced by the amount of any other local government, local publicly owned utility, or state or federal sponsored financial incentives received for the solar energy system. However, the phrase "any other local government, local publicly owned utility, or state- or federal-sponsored incentives" is not clearly defined. Consequently, this provision might be difficult to administer.

The bill requires otherwise allowable costs to be reduced by the "value" of these incentives. "Value" is not defined. Undefined terms and concepts lead to disputes with taxpayers and complicate implementation and administration of the credit.

The amount of the credit may not exceed the applicable percentage of amounts paid to purchase and install a solar energy system. The amount of the credit is also equal to \$2.50 per rate watt of generating capacity. The author's staff has indicated the intent is to allow a credit in an amount equal to the applicable percentage of net purchase and installation costs, up to a maximum of credit amount for a solar energy system of \$2.50 per watt of generating capacity of that solar energy system. Amendments would be needed to clearly reflect this intent.

TECHNICAL CONSIDERATIONS

The amendments placed the additional \$300 credit for a revenue-quality meter in subdivision (d) of the bill. For ease of reading, the revenue-quality meter credit would preferably be included as part of subdivision (a).

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